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AZ CORP COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF)	DOCKET NO. WS-04235A-05-0707
UTILITY SOURCE, LLC FOR AN EXTENSION)	
OF ITS CERTIFICATE OF CONVENIENCE AND)	COMMENTS AND OBJECTIONS
NECESSITY TO PROVIDE WATER AND)	TO STAFF REPORT
WASTEWATER SERVICE IN COCONINO)	
COUNTY, ARIZONA.)	

Utility Source, LLC ("Utility Source" or the "Company") hereby provides its Comments and Objections to the Staff Report, and in support thereof provides the following:

1. On March 24, 2006, Staff filed its Staff Report in the subject Application.
2. The Procedural Order dated February 17, 2006, provided, among other things, that the Company could provide its objections to the Staff Report on or before April 3, 2006.
3. On March 31, 2006, representatives of the Staff and Company met to discuss the alleged deficiencies in the data Staff had received which caused the Staff to recommend denial of the Application. The Company provided much of that information at the meeting, and indicated that the remainder of the data would be provided in this response.
4. The data pertaining to the water extension includes the following:
 - A. A revised Extension Agreement Data Sheet expressed in thousand gallons consumption, which is attached hereto.
 - B. The Staff's assumptions regarding the existing water system were not entirely correct. The water system includes five (not three) shallow wells (44 gpm total capacity or 71 acre-feet per year). Although the Arizona Department of Water Resources

1 ("ADWR") does not include the shallow well capacity in their 100-year analysis, the fact
2 remains that they are used currently to meet the demand. The wells tapped into the shallow
3 aquifer in the Bellemont area has served existing uses for decades, with little effect from
4 drought. The deep wells that Utility Source has drilled are included in the ADWR Physical
5 Availability Demonstration ("PAD"). Utility Source has drilled four deep wells that have the
6 capacity to provide 771 acre-feet of water annually to customers within the existing and
7 proposed expanded service area. Wells #1 and #2 have a capacity of 35 gallons per minute
8 (gpm) or 56 acre-feet per year. Well #3 produces 72 gpm or 116 acre-feet per year. The most
9 recent well drilled, Well #4, is the best producing well and has a capacity of 371 gpm or 598
10 acre-feet per year. Wells #3 and #4 were drilled into a subsurface fracture system that
11 provides a significant volume of water compared to the other wells. Although Well #4 is the
12 best producing well, its use is not necessary at this time. The existing shallow wells and first
13 two deep wells are used primarily to meet the demand. Well #3 is used infrequently as a
14 back up well. Therefore, more than 75% of the existing well capacity is currently unused and
15 available from Well #3 and Well #4 to meet the new demand in the expanded service area
16 requested. Two potable water storage tanks exist with a total capacity of approximately
17 680,000 gallons. No storage tank exists for the storage of treated effluent. This information
18 was summarized in the Extension Agreement Data Sheet submitted as Exhibit F in the
19 application submitted October 6, 2005 and was resubmitted on March 8, 2006. At the March
20 31, 2006 meeting, copies of the Engineering Plans were provided for the Company's two
21 storage reservoirs, the historic 285,000 gallon storage reservoir, and the subsequently
22 constructed 422,000 gallon storage tank, including the Approval of Construction for the
23

1 422,000 gallon tank. That combined storage provides adequate capacity for the entire
2 expanded water certificate area.

3 C. Discussion and explanation of the PAD, copies of which were provided to
4 Staff on January 17, 2006 and March 8, 2006, which supports the indicated 771 acre-feet of
5 water availability, well in excess of the expansion area requirements. The Company indicated
6 that the ADWR has advised the Company's Hydrologist, HydroSystems, Inc., that the PAD was
7 under review and that clarifying questions would be provided by ADWR by April 14, 2006. The
8 Company agreed to provide copies of those questions to the Staff upon receipt.

9 D. Discussion of the new source arsenic reports for Deep Wells 3, 4, and 5,
10 and the explanation that the Company "blends" all water at the storage tanks prior to distribution
11 to the customers. A copy of the Arsenic Report for the blended water will be provided to Staff
12 within ten (10) days.

13 E. The existing water distribution facilities were explained showing that the major
14 development needed only to construct on-site facilities to serve the expansion area. A letter from
15 that Developer was provided to Staff at the March 31, 2006 meeting committing the Developer to
16 build those on-site facilities.

17 5. The wastewater facilities were then discussed as follows:

18 A. The need to expand the wastewater treatment will occur when it reaches
19 80% of its 150,000 GPD capacity. The Peak Day Capacity data provided to Staff was an
20 anomaly that occurred because the manhole covers within the existing service area had not been
21 sealed. That permitted the storm water runoff to enter the system for treatment. Those manhole
22 covers have now been sealed so that storm water will not now impact the system. A copy of the
23

1 Certified Operator's explanation of that occurrence, as confirmed by the Company's Engineer, is
2 attached hereto.

3 B. A letter was provided from the new Developer that indicated the
4 Developer would pay for the expansion module of the wastewater plant, and fund all on-site
5 collection facilities within that development.

6 Based upon the above, the Company is of the opinion that it has provided all information
7 necessary to satisfy the Staff's concerns, and therefore requests that the Staff amend the Staff
8 Report to indicate support for the proposed expansion.

9 Respectfully submitted this 3rd day of April, 2006.

10 SALLQUIST, DRUMMOND & O'CONNOR, P.C.

11 By: [Signature]

12 Richard L. Sallquist

13 SALLQUIST, DRUMMOND & O'CONNOR, P.C.

14 4500 S. Lakeshore Drive, Suite 339

15 Tempe, AZ 85282

16 Attorneys for Utility Source, LLC

17 The original and ten copies of
18 the foregoing were filed this 3rd
19 day of April, 2006, with:

20 Docket Control
21 Arizona Corporation Commission
22 1200 W. Washington St.
23 Phoenix, AZ 85007

Copies of the foregoing were
hand delivered/mailed this 3rd
day of April, 2006, to:

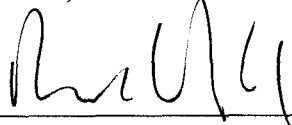
Hearing Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

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EXTENSION AGREEMENT DATA SHEET

EXTENSION AGREEMENT WITH:
CC&N Application

COMPANY NAME:
DIVISION:
W.A. No.:
ACC No.: **WS-04235**

NUMBER OF PROPOSED CUSTOMERS: 966

PROJECTED PEAK USAGE (DOMESTIC GPM):	399
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NUMBER OF CUSTOMERS BY MONTH FOR THE LAST 12 MONTHS	YEAR	
	2004	2005
JANUARY		260
FEBRUARY		275
MARCH		271
APRIL		280
MAY		284
JUNE		284
JULY		306
AUGUST	179	
SEPTEMBER	183	
OCTOBER	232	
NOVEMBER	242	
DECEMBER	242	

TOTAL GALLONS SOLD PER MONTH FOR LAST 12 MONTHS*	YEAR	
	2004	2005
JANUARY		1,205
FEBRUARY		1,037
MARCH		1,137
APRIL		1,298
MAY		1,485
JUNE		1,864
JULY		2,079
AUGUST	925	
SEPTEMBER	1,078	
OCTOBER	1,137	
NOVEMBER	984	
DECEMBER	959	

WELL PUMP CAPACITY (GPM) **			
GPM	WELL #	GPM	WELL #
7	A 55-559096	11	1 55-593267
12	B 55-564258	23	2 55-598834
10	C 55-503545	72	3 55-203241
5	D 55-515325	345*	4 55-206887
10	E 55-598623		

* Well not completed or tested as of filing

* Well not completed or tested as of filing

*** STORAGE CAPACITY (GALLONS):	680,000
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BOOSTER PUMP CAPACITY (GPM)							
GPM	BOOSTER	GPM	BOOSTER	GPM	BOOSTER	GPM	BOOSTER

Will additional well capacity be needed as a result of this agreement?

☐ Yes☒ No

Will new booster stations be necessary to serve the proposed addition?

☐ Yes☒ No

* Reported in 10^3 gallons

** ADEQ designation

*** include ground storage

A Quality Water Co.

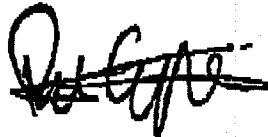
April 2, 2006

Louis,

After several major winter storms in December of 2004 and January of 2005, flows at the Flagstaff Meadows wastewater treatment facility exceeded plant capacity limits on certain days during this time. The plant exceeded this capacity because manhole covers in the collections system were not properly sealed. The storms produced enough moisture that on some days there was as much as a foot of water in the streets. Because the manholes weren't properly sealed, this caused extensive inflow problems from the collections system.

To remedy this problem we have installed inflow prevention lids on all of the manholes throughout the development. These lids prevent any inflow from entering the collections system that would be caused by abnormal storms such as those that occurred in the winter of '04 & '05. It will be required that all future phases of this development install these devices to prevent this from happening again.

If you have any questions concerning the flows or the inflow prevention devices, please contact me.



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